

Message Text

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PAGE 01 MANILA 08133 170903Z
ACTION EA-12

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TO SECSTATE WASHDC NIACT IMMEDIATE 5883

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E.O. 11652: N/A
TAGS: SHUM, EFIN, RP
SUBJECT: HUMAN RIGHTS -IFI LOANS

REF: (A) STATE 123234, (B) STATE 123368, (C) MANILA 5926

1. SUMMARY. EMBASSY BELIEVES PROPOSED IFC LOAN TO CEBU SHIPYARD AND IBRD LOAN FOR MANILA WATER SUPPLY DEVELOPMENT MEET BASIC HUMAN NEEDS CRITERION. END SUMMARY.

2. PROPOSED IFC LOAN IS FOR FINANCING OF GRAVING TYPE DRY DOCK AT CEBU SHIPYARD LOCATED ON ISLAND OF MACTAN, SHIPYARD OWNED BY CEBU SHIPYARDS AND ENGINEERING WORKS, INC., ONE OF ABOITIZ GROUP OF COMPANIES. ENGINEERING FOR PROJECT BEING UNDERTAKEN BY NISSAN CORP. OF JAPAN AND CONSTRUCTION BY PRIVATE DEVELOPMENT CORPORATION OF THE PHILIPPINES (PDPC).

3. ABOITIZ FAMILY IS AN OLD AND ESTABLISHED FAMILY IN CEBU WITH PROGRESSIVE RECORD IN SOCIAL DEVELOPMENT. THEY ARE PRINCIPAL SPONSOR OF INTEGRATED ECONOMIC AND SOCIAL DEVELOPMENT PROGRAM FOR VILLAGE IN MACTAN ISLAND, WHERE SHIPYARD IS LOCATED, AND ARE IMPORTANT SUPPORTERS OF NON-PROFIT FOUNDATION, PHILIPPINE BUSINESS FOR SOCIAL PROGRESS (PBSP). FIRM HAS POLICY OF CONTRIBUTING 1 PERCENT OF NET
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PROFITS BEFORE TAXES TO SOCIAL AND COMMUNITY ACTION PROJECTS.

4. MARITIME INDUSTRY AUTHORITY ESTIMATES THAT PROJECT WILL GENERATE 200 NEW JOBS, A 40 PERCENT INCREASE IN THE YARD'S EMPLOYMENT, REPRESENTING MIX OF SKILLED, SEMI-SKILLED, AND UNSKILLED LABOR. GIVEN NATURE OF WORK,

SCRAPING, CLEANING, SWEEPING, ETC., WEIGHT WILL BE PLACED ON EMPLOYMENT OF POORER, UNSKILLED LABORERS. ABOITIZ HAS ON-GOING TRAINING PROGRAM TO UPGRADE SKILLS OF EMPLOYEES AND ALL LABOR WILL BE DRAWN FROM LOCAL MARKET. CONSTRUCTION OF DOCK ITSELF HAS LABOR INTENSIVE COMPONENTS WHICH WILL EMPLOY SIGNIFICANT NUMBERS OF UNSKILLED WORKERS IN THE AREA.

5. EMBASSY BELIEVES THAT PROJECT, BACKED BY FORWARD-LOOKING CORPORATION, IS AN ECONOMICALLY AND COMMERCIALY

VIALE BUSINESS VENTURE THAT WILL BENEFIT A LARGE NUMBER OF POOR, UNDEREMPLOYED OR UNEMPLOYED UNSKILLED WORKERS IN THIS UNDERDEVELOPED REGION OF THE COUNTRY.

6. IBRD MANILA WATER SUPPLY PROJECT IS TO COVER INCREASED COST OF ADB-FINANCED WATER SUPPLY PROJECT DESCRIBED IN DETAIL IN REFTEL C. AS REFTEL POINTS OUT, PROJECT WILL DIRECTLY BENEFIT 6.6 MILLION PEOPLE IN MANILA AND SURROUNDING AREAS, 3.5 MILLION OF WHOM WOULD NOT OTHERWISE HAVE ADEQUATE OR SAFE WATER SUPPLY. INCLUDED IN AREA ARE 1 MILLION URBAN POOR, 250,000 OF WHOM ARE LOCATED IN TONDO FORESHORE AREA, ONE OF THE LARGEST SQUATTER SETTLEMENTS (SLUM) IN ASIA. SPECIAL MEASURES, OUTLINED IN REFTEL C ARE BEING ADOPTED TO ENSURE WATER DISTRIBUTION TO LOW-INCOME FAMILIES. FYI: A WHOLE INDUSTRY OF SELLING WATER LIMITED OFFICIAL USE

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AT ABOUT TWO PESOS (MINIMUM DAILY WAGE IS 15 PESOS) PER FIVE GALLON CAN HAS GROWN UP, WITH URBAN POOR HAULING WATER FROM PUBLIC OR PRIVATE SPIGOTS. PROJECT WOULD MAKE CHEAP WATER AVAILABLE TO THESE URBAN POOR. END FYI.

7. EMBASSY UNDERSTANDS ADB PORTION OF PROJECT WAS ON CHRISTOPHER COMMITTEE AGENDA FOR MAY 4, THOUGH OUTCOME OF DELIBERATION UNKNOWN TO US.

8. EMBASSY BELIEVES BOTH PROPOSED PROJECTS MEET BASIC HUMAN NEEDS CRITERION. TOUSSAINT

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